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***Blocked Transition And Post-Socialist Transformation:
Serbia in the Nineties***

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BLOCKED TRANSITION AND POST-SOCIALIST TRANSFORMATION: SERBIA IN THE NINETIES

Abstract:

This paper is showing that Serbia in the nineties was an interesting case of post-socialist transformation in spite of the greatly blocked transition. The key sign of the post-socialist transformation has been the formation of a new transformative social force – formation of entrepreneurs and of the strata of social owners. Initial transformation of ownership relations in Serbia began in the 1990-1991. period, with limited privatization of some 40% of all former “socially owned” enterprises . Privatization of such firms was practically blocked in 1992-2000. period. Some comments on ownership transformation after the regime change at the end of year 2000 are given in the paper.

There was an autonomous growth of the private sector during the nineties generated by the formation of some 200.000 new private firms. It was shown in the paper that some branches, like retail trade, have been de facto privatized thanks to the predominance in trade business of new private retail trade firms.

Social features of new entrepreneurs in Serbia have been analyzed, based on author's surveys. Positive impact of new entrepreneurs has been not only in generating and enforcing systemic changes by the end of nineties, but also in preventing overall aggravation of living conditions of people in Serbia in this period. New entrepreneurs were spreading new life orientations, innovativeness, readiness to take responsibility for one's life, especially among the young generations. The author believes that post-socialist transformation in the nineties facilitated regime change in the Fall of year 2000.

Key words: Serbia, post-socialist transformation, transition, blocked transition, entrepreneur, new entrepreneurs, spontaneous privatization

JEL Codes: P20, P27

In the literature on *transition and post-socialist transformation* in the nineties Serbia (as well as FR Yugoslavia) has been scarcely mentioned and analyzed. Many other aspects of dramatic and disturbing developments in Serbia (interethnic wars, in particular) had attracted attention by various audiences, but not developments related to the post-socialist transformation of Serbian society in this period. Transition in this country was considered being *blocked* since 1990. Most social analysts think that transition in Serbia has begun to take place after the end of Milosevic's rule at the end of the year 2000.

The aim of this paper¹ is to put some additional light on the generally accepted assessment that transition has been blocked in Serbia in the nineties. It will be shown that, in spite of this blockade, there were some institutionally and non-institutionally generated activities in favour of privatization which have contributed to the real post-socialist transformation of the Serbian society in the nineties. Specifically, this paper will describe the process of "ownership transformation" of the former "self-managed organizations" at the beginning of nineties and pinpoint the activities in relation to privatization during the nineties.

The key sign of the *post-socialist transformation* has been the formation of a new important transformative social force in Serbian society, namely, *formation of entrepreneurs* and of the *strata of private owners*. Based on the available survey data on social profile of entrepreneurs some features of these "new entrepreneurs" will be analysed and some comments about their impact on the transformation of Serbian society in that period will be made.

This author is convinced that, in spite of all tragic and destructive "developments" in Serbia in the nineties, Serbian society has entered the New Millennium as a considerably changed society, with many features similar to other post-socialist societies. Also, it seems sound to claim that such real social transformations, which were going contrary to the regime intentions to prevent transition, have made possible recent change of regime and the end of Milosevic's rule in Serbia.

¹ This paper has been prepared during my visit to the William Davidson Institute at the Business School of the University of Michigan, Ann Arbor and I express my thanks to the Institute for the

On the “blocked transition” and limited privatization in Serbia in the 90’

Those who speak about the “blocked transition” in Serbia mean in the first place that there has been *no comprehensive privatization* of the former state/ “social”/ firms. Yet, there has been an initial faze of “ownership transformation “ in Serbia, initiated by several federal laws enacted in the 1989-90 period (Zec, M., all 1994). The starting approach of the federal law-makers at that time was to make *employees* in former “self-management” organizations as *individual “shareholders”* in their firms, to motivate them for a more efficient use of capital and all resources at their disposal. According to the available data (Zec, M., all, 1994: 228) by the end of 1992 some 33% of “social” enterprises completed the process of ownership transformation² and legally these organizations were functioning as “share-holding companies”. However, only part of the formerly “socially owned capital” went nominally in the hands of employees. State banks and other “social firms” had their shares in such companies, and sometime, some outsiders, private owners, became shareholders. Part (1/3) of the assessed value of the formerly “socially owned means” has been transferred, by the law, to the Development fund, to be used for solving pressing social problems of unemployed, retired people and for some other social needs. In those “transformed” firms some 43% of total values of former “socially owned capital” legally existed now as “capital of shareholders”.

According to the available data, some additional 30% of all “social enterprises”³ have started some activities directed toward their “ownership transformation” in the period 1990-1992. Even though there are no reliable data on subsequent “transformative” activities in those non-transformed firms, from the data on firms pending for privatisation in the “post-October 2000” period, one could assess that in the second half of the nineties there has been no significant “ownership transformation” of former “self-managed” firms in Serbia.

Former “public companies”, controlled during the years of “self-management” more directly than other “social firms” by the state, (federal state, state of republic, city governments, or governments of specific municipalities), became (after 1989)

Fellowship and professional support . Part of this material has been presented in a lecture in the Centre for Russian and East European Studies of the University of Michigan.

² Laws which were enacted during the rule of “socialists” were not titled as “laws on privatization”, but as “laws on ownership transformation”. The first law aimed at privatization to be named ‘law on privatization’ has been the 2001 Law, prepared and enacted after the regime change in October 2000.

public companies in the state property. These were firms in important businesses in energy production and distribution, public transportation, utilities, media, health, education,. According to the available estimates (Zec, M., 1994: 241) some 44% of the assessed value of the formerly “socially owned capital” has become *state property* in this first phase of “ownership transformation”.

In this short story about the initial attempts in privatization in Serbia it is necessary to stress that in summer 1994 Serbian parliament enacted a so-called “Law on revalorization” of the sold “socially owned means” in the 1990-1994 period, with the idea to prevent unjust property gains by shareholders because of the effects of the inflation in this period, especially of the hyperinflation in the 1992-1994 period. This measure of retroactive valuation of already transferred capital in the hands of individual shareholders resulted in de facto return of the “privatized” capital in the “socially owned capital”. According to the available estimates (Zec, M., Zivkovic, B., 1997: 83) 97% of the “privatized” capital has been renamed as “socially owned”, and only 3% remained in the hands of shareholders.

In the second half of the nineties, specifically in 1997, a new Law on ownership transformation has been enacted by the Serbian parliament, with the idea to increase some incentives (in the form of free shares) to employees in still non-transformed firms to start privatization. There were also more strict deadlines determined by the Law to end the process of “transformation”. By the end of year 2000, only minor number of firms started transformation in shareholding companies in accordance with this 1997 Law. But, some 400 “social firms” went in a speedy “ownership transformation” in the first half of the year 2001, when a new Law on privatization was in preparation. The new “law on privatization” in preparation greatly was supposed to reduce the rights of employees on free shares provisioned by the former laws and to reduce the role of employees’ collectives in the privatization process, and this seem to explain the speeded “ownership transformation” at the beginning of the year 2001.

The new government of Serbia enacted a new Law on privatization in summer 2001. Privatization became obligatory and should be completed during the period of four years after the Law has been enacted. State Agency for privatization has been directly preparing some 150 firms to be sold by tenders and some 7000 firms to be

³ According to the Law on Enterprises, enacted in 1989, former “self-managed organizations” were legally renamed as “social enterprises” if their assets were still “socially owned”.

sold on the auctions. By the end of 2001 three of 150 firms planned for tenders were sold, and 22 auctions were successful. During the year 2002 some additional 10 firms have been privatized by tenders and several hundreds of “social firms” have been successfully privatized through auctions⁴. The process of privatization is still slow, for many reasons which could not be analysed properly in this paper⁵. So, one could say that the real process of the *institutionally* provided privatization of the former “social firms” in Serbia has not gone to far, in spite of described steps during this period to provide new “ownership arrangements” and new system of governance in Serbian enterprises. Still, some important social transformations were under way.

On the post-socialist transformation of Serbia in the nineties

In Serbia during the nineties its social structure, especially the political elite stratum, remained basically closed (Sekelj, L. 1998, 613). The *rule of law* was greatly a "lips service" of the rulers. Political pluralism became a nominal but not a real framework of the Serbian political life (Goati, V., ed. 1995), since de facto political power was not in the parliament but in the hands of the President of Serbia (S. Milosevic) and his most loyal collaborators. Permanent ideological requests for the "country's unity" and the "priority of national interests" served well as a legitimisation formula of a non-democratic, totalitarian rule of the Serbian regime in the nineties, and for the suppression of the civil society in this country. Under such societal conditions in Serbia the post-socialist transformation and the spread of entrepreneurship should have been impossible. Was this the case?

In spite of many anti-transitional trends, there has been a gradually increasing share of the private sector in the formation of social product of Serbia (see table 1.). This was in part a result of limited privatisation of smaller former "socially owned firms" at the beginning of nineties even if many of the “transformed” former socially owned firms had in fact mixed state and social ownership and private ownership. Increased share of the private sector in the social product formation was, in part, *the outcome of the rapid formation and growth of new (albeit small) private firms established primarily by individual domestic founders. Finally, this share of the*

⁴ These are information given on the web site of the Serbian Ministry for privatization.

⁵ There are some current circumstances, like the great political instability in Serbia, preventing more comprehensive privatization, and also some processes of longer duration, like the overall *destruction of society* which is generating slow process of reconstruction of the basic societal institutions, including

private sector was a consequence of the private ownership in agriculture, handicraft and services, which existed in the pre-transition period.

Table 1. *Social and private sector's social product (GDP)*, Yugoslavia**, 1989 - 1999*

	1989	1991	1995	1999***
Total social product (GDP)	49.811	33.807	14.155	20.045
Private sector product (GDP)	5.416	6.729	7.862	8.448
% of private social product	11	20	55	42
Indices of change (1989=100)				
Total social product	100	68	28	40
Social product - Private Sector	100	124	145	160

Source: SGJ-1998:124; SGJ-2001: 91. * The numbers are millions of Yugoslav Dinars, in the 1994 "constant prices". **Available data for Yugoslavia depict also trends for Serbia since Serbian GDP is about 95% of the Yugoslav GDP.*** Without data for Kosovo.

The share of the private sector's economy in Serbia is somewhat smaller when assessed by the share of the private sector's employment in the total employment (see table 2.). It is evident that during the nineties the employment in the social sector declined at the much lower rate than was declining the social product of the social sector in that period. At the same time the social product of the private sector grew faster than was increasing employment in that sector. These trends reflect two different business (and social) orientations of employers in these sectors. The "state rulers" as "employers" hesitated to fire extensively employees from social and state firms, which were in reality collapsing. There was a fear of uncontrollable social unrests. In stead of firing employees, "state employers" subsidised social firms, in part through the virtually raised state incomes via hyperinflation. Salaries of those employed in social and state firms have been drastically reduced in their real purchasing power. Also, wages were paid very irregularly. During the 1991-1994 period around 40% of employees in the social sector have been sent (from several

those regulating economic life of this country (more on the "destruction of society" of Serbia in the

months to more than one year) on extended and "forced leaves" (Bolcic, S. 1995: 82), with minimal or even no payments. State tolerated "generously" all forms of work in "hidden" economy⁶, and provided, often through the unions, some "payments in kind" (in food and other "necessities") to pacify employees, especially those in larger industrial organisations. Constant nourishing of nationalist sentiments of people served as a good "antidote" for the expressed and suppressed dissatisfactions of Serbian populations, whose negative energy was mobilised against "enemies" (foreign and domestic) instead against "rulers" which were de facto destroying the fundamentals of a civilised life in Serbia.

Table 2. *Trends in total employment and employment in the private sector: Yugoslavia 1989 – 1999*

	1989	1991	1995	1999*
Total employment (in 000)	2791	2625	2379	2238
Employment in social sector	2733	2438	2114	1710
Employment in private sector	58	187	265	322
% Of total employment in the private sector	2	7	11	14
Indices (1989= 100)				
Social Sector	100	89	77	63
Private Sector	100	332	457	555

Source: SGJ-1998: 96; SGJ-2001: 132. * Without data for Kosovo.

Private employers hesitated to hire as much employees as a normal organisation of their business would have required, because of fears for their tomorrow's business situation in the collapsing Serbian economy. Of course, cheap, unofficially engaged labour in the "grey" labour market provided considerable untaxed profits for many owners of private firms. The tacit coalition of the "ruling

nineties see, Bolcic, S., 1994).

⁶ See, Bolcic, S., 1995: 86-90: also, on hidden economy in Yugoslavia, see, G. Bozovic, 1992.

circle" and some of new entrepreneurs contributed to such mal-developments of the rapidly vanishing social sector and insufficient growth of the private sector.

What pressingly ask for explanation are the reasons for such a mal-development of Serbia in the nineties. Some analysts suggest causes of longer duration, like the missing democratic traditions in Serbia and the prevailing authoritarian value orientations of majority of Serbs (Golubovic, Z., all, 1995), where rulers tended to be dictators with a large popular support (Podunavac, M. 1998, 30-36). This could explain also the practically uncontested Milosevic's populist rule in the nineties.

It seems also as a very pertinent the explanation of the Serbian case of the *interrupted post-socialist transformations* by the *multi-ethnic composition* and suppressed ethnic conflicts in the former "socialist" Yugoslavia, and by the subsequent *revival of ethno-nationalism* as a mobilising force used by former and new political elite to preserve or to enforce their dominant social position (Sekelj, L., 1995). By nationalistic state policies masses were effectively controlled and pacified, in spite of their great discontent caused by the unwise state policies of the "socialist-nationalist" rulers. But, one should separate the role of the objective multi-ethnicity and of normal inter-ethnic tensions, which existed in all periods of the multi-ethnic state of Yugoslavia, from the destructive role of ethno-nationalistic mobilisations of people in Serbia, as well in other post-Yugoslav societies in the nineties (Bolcic, S., 1995a).

Here one must understand the conditions under which this "ethno-nationalistic counter-revolution", lead by the former "socialist" rulers, became possible, in Serbia in particular. First, it might be relevant to analyse the *power system* in the former Yugoslavia, not only the *distribution* of social power, but also the *sources* of power of various social groups, especially the *role of the military elite*⁷ and the established "power culture" (Bolcic, S., 1997a). Such analysis would show that the strength and the legitimacy of former rulers in Yugoslavia, and in Serbia likewise, have been less eroded at the end of eighties than in other former "socialist" countries. Therefore, their persuasive (and manipulative) power was greater than in other countries. Secondly, the "self-management ownership arrangements", in spite of all evident discrepancies between the "project" and the reality of self-management, generated

⁷ According to the available survey data (Slavujevic. Z. , 1997: 67) the *army* as institution was the most trusted of all institutions of state in Serbia, even after its "debacles" in the "Yugoslav" wars since 1991.

greater *employees identification* with their normative role of "co-owner" and that lead to the greater inclinations of majority of employees toward some forms of "employee ownership" as a form of privatisation and not to the "voucher" type of privatisation of former *state* firms practised in some other post-socialist countries⁸.

Under such societal conditions a peculiar "vicious circle" of the blocked transition in Serbia was established (Bolcic, S. 1997) where the existing power system prevented immediate full-scale privatisation of the state/social property, while the prolonged life of the "social/state property" reinforced the existing power system.

The breaking of this "vicious circle" was slow, socially painful. One of the contributing forces in the deblocking of transition in Serbia seems to have been the new entrepreneurs, especially those thousands of small entrepreneurs in all parts of nowadays Serbia.

The Spread of Entrepreneurship in Serbia in the Nineties

Social abnormalities have become a distinguishing feature of Serbia at the end of eighties and in the nineties. In such a social context it come as a surprise *the continuing spread of the private entrepreneurship*, the enlargement of the social strata of private entrepreneurs, and the increased entrepreneurial inclinations among all segments of the nowadays Serbian society.

Objective indication of this spread of entrepreneurship are given in the table 3., on numbers and proportions of private enterprises in the nineties.

Table 3. Private Enterprises in Serbia, 1990- 1997.

	1990	1991	1997	2000
No. of private enterprises	21.567	44.780	178.432	167.555
% of all firms being private	77	81	91	80
Index (1990= 100)	100	208	827	777

Sources: Zec, all, 1994; SGJ-95; SGJ-98

⁸ In a survey study done in 1992. the orientation toward "workers' ownership" was more frequent (33%) than toward the "sale" of "social"/state capital (29%), see, Vukovic, S., 1996; the same orientations has been registered in Slovenia, see, Kanjuc-Mrcela, A., 1994.: 109).

Since *private enterprises* have not existed before 1989 and official statistics started to publish data on them in 1990, indications presented in the table 3. depict the "great leap forward" in respect of the spread of entrepreneurship in Serbia during the nineties. The number of these private enterprises at the end of nineties has been some eighth times bigger than at the beginning of nineties⁹.

Of all private firms 80% were (and still are) very small, with less than 5 employees (Popovic, P., 1995, 53). Therefore, this 9/10 of all firms being *private* provided employment for some 14% of the total employment in Serbia in the year 2000. But, if we add individuals engaged in private farming (and they were not registered as "employed" persons in statistical sources), and self-employed individuals in private handicraft *shops* and also all those unregistered individuals in "informal enterprises" dealing in the sector of the *hidden economy*, the share of the *active population* of Serbia that directly depends on the *private enterprising* may be estimated to be up to 1/3 of the total active population. This has been an *expanding segment* of the Serbian society in the nineties¹⁰ whose over-all social impact was even greater than is reflected in the presented quantitative measure of its importance. The new owners and entrepreneurs were establishing *new life orientation* and new rules for the rest of society.

The expansiveness and the social impact of entrepreneurs comes in part from their basic societal role of the promoters of innovations in business life, as the "risk-takers" who are ready to act according to their own judgements, often away, even against conventional routes. It seems that the existing increasing destructuration ("destruction"¹¹) of the Serbian society, with a lot of disorganisation, has not discouraged most of small entrepreneurs to continue to do private business, even if that assumed frequent changes of their specific field of business.

⁹ The variations in indices for various years might be describing the reality, but also could be in part due to the unreliable statistical data, and the fact that, especially at the beginning of nineties, there were many registered firms not being active in the business life in Serbia.

¹⁰ Between 1950 and 1990. percent of employed persons in the private "shops" was stagnant (around 2%). During the nineties the number self-employed individuals grew up to 190.000 (D.Minjevic, 1999)

¹¹ I suggested to describe the social situation of Serbia in the nineties as a "destruction of the society", not just the destruction of the former *state* of Yugoslavia. On the features of such a destruction of the fundamentals of the society see, Bolcic, S. 1994, 141-147.

Main Features of New Entrepreneurs

There are controversies about features and future role of the rapidly growing social group of new entrepreneurs in Serbia, as in other countries in transition. Many social actors (political parties and other groups) in the public arena are “lobbing” now strongly for entrepreneurs. Entrepreneurs are being pictured as promoters of a truly modern and efficient business which should restore a sound and modern market economy in these former socialist societies. On the other side of the public scene are commentators of recent social changes in Serbia who are blaming new entrepreneurs for the spread of undesired consequences of recent transitory changes (like, the revival of many aspects of the “primary accumulation” of capital, of the proliferation of various forms of illegal, “Mafia” business practices, etc.). These conflicting assessments seem to work against the strengthening of the positive attitude of the general public in Serbia toward entrepreneurs and entrepreneurship and also may affect state measures aimed at the societal regulation of entrepreneurship.

Part of these controversies result from the discrepancy of the real features of new entrepreneurs and their expected characteristics. So, it was expected that entrepreneurs in these societies in transition should be mostly *new people* which would come outside of the former *nomenclature*, outside of circles of former socialist managers, even outside of circles of employed persons in the former social/state sector. They were expected to be individuals with considerable work experience in private business, those who worked in entrepreneurial firms in Western capitalist countries, individuals with considerable family traditions in private business, and also persons with appropriate knowledge (“know-how”) needed in the modern business. Do *new entrepreneurs* in Serbia meet these expectations, or who are they, in fact?

According to the available 1992. survey data¹² one could say that 59% of new private entrepreneurs were employed in “social firms” before they become private entrepreneurs; some 2% of them were previously employed in foreign firms in Yugoslavia and 6% of them were employed abroad; 4% were self-employed or employed in other private firms; 25% of them were unemployed persons. So, in 85%

¹²The 1992 survey provided data on 373 private entrepreneurs (owners, owners with managerial role and managers of various private firms); see details on methodology in the “Methodological Note” at the end of this paper and in Bolcic, 1995b. Unfortunately, there are no comparable data for recent years,

of cases new entrepreneurs in Serbia have come either from the circle of employees in "social firms" or from the circle of unemployed persons.

New entrepreneurs in Serbia are individuals of various basic occupations and work roles (in an open question respondents have mentioned some 50 different work roles that they had before becoming private entrepreneurs). Very frequently (in 36% of cases) they were in some leading (managerial) positions in organizations (heads of divisions, departments, sectors, including general managers.). Relatively frequently (in 14% of cases) they were personnel of financial, commercial and similar divisions of social firms; in 11% of cases they were in professional's jobs. Some 16% of them were in positions of ordinary workers, but most of these workers were workers in trade and services.

This frequent take-over of the entrepreneurial positions by the former socialist managers, observed also in other societies in transitions (Lengyel, G., all, eds., 1992), is even more evident in somewhat bigger private firms, those of 30 employed persons and more. In this case 47% of private entrepreneurs were in managerial positions (Lazic, M., 1994). These individuals have had access to various social networks which seem to be very relevant for their business activities (see, Lengyel, G., all, eds., 1992: 135).

When considering the prevailing age of new entrepreneurs one could assume that their younger age had been probably of the greatest importance for their decision to become entrepreneurs and also for their frequent success in the new occupational role since they were individuals with *great ability to learn "new things"*. According to our 1992 survey data, 47% of surveyed entrepreneurs were younger persons (of less than 35 years of age) and only 15% of them were older than 45 years of age. The data from 1994. and 1999 survey confirm this finding and allow the comparison of the age structure of owners of firms, other employees of private firms and employees of "social firms". As could be seen from the Table 4, both private entrepreneurs and employees of private firms in nowadays Serbia are younger than employees in "social firms". One may assume that these younger employees in private firms came either from the circle of those previously unemployed and also from the circle of employees in "social firms".

except for some of characteristics of "private owners", provided in recent surveys of this author. Official statistics in Serbia is not providing data on characteristics of entrepreneurs.

Table 4. *The age characteristics of various social segments in Serbia, 1994-1999*

Age group		Owners of firms	Employees in private firms	Employees in social firms	All respondents*
21-30	1994	19.6	41.0	11.5	22.3
	1999	37.8	36.8	17.2	27.0
31-40	1994	39.1	19.7	25.6	15.1
	1999	15.6	25.4	25.9	16.3
41-50	1994	30.4	26.2	39.0	25.2
	1999	31.1	21.9	37.4	21.0
51 +	1994	10.9	9.8	22.6	37.4
	1999	26,7	11.4	19.0	30.3
Total:	%	100.0	100.0	100.0	100.0
Number	1994	46	61	305	766
	1999	45	114	348	1128

* In the 1994 survey respondents were from the “Belgrade region”, including municipalities outside Belgrade City limits. In spite of some differences, in “structural” sense, these data are comparable to the 1999 survey data for Serbia (without Kosovo).

It is clear that even if there are differences between the first and second half of the nineties in age characteristics of the compared social segments, the basic trend of having younger people in private firms and older people in “social” firms has not changed during this decade. In the 1999 there were more younger owners of private firms of the age 21- 30, who must have entered in the “entrepreneurial circle” in the second half of nineties. Also, there were more private owners in the age group of 50 years and more. These “older” entrepreneurs should be those who were younger (41- 50) at the beginning of nineties and who have succeeded to “survive” as entrepreneurs in those turbulent years of the nineties in Serbia.

The movements of the work force from the "social" to private firms in the nineties in Serbia meant not only a "draining" of younger employees but also an overall "draining" of skilful persons from "social firms". These skilful people who

have left "social firms" and got employment in private firms in many cases were not individuals with greater formal education, as it is documented in table on education of owners of firms in 1994 and 1999.

Table 5. *Education of owners of private firms: Serbia, 1994- 1999*

	Less than second. school	Secondary school	Higher education	University	All respondents %	number
Beograd, 1994	18	66	7	9	100	44
Serbia, 1999	7	69	13	11	100	45

Source: Surveys of the Institute for Sociological Research, Faculty of Philosophy, Beograd

The prevalence of individuals with secondary education among entrepreneurs and owners of private enterprises is evident. On the other hand, a sub-sample of private entrepreneurs running firms of 30 employees and over (Lazic, M., 1994: 157) had 28% of those with secondary school, 28% with "higher" education and 44% were persons with university education. In spite of these variations in the proportion of private entrepreneurs with secondary level education in these surveyed samples, it seems clear that, at the first stage of transition, new entrepreneurs in Serbia have had rarely university level education. In that respect, managers of "social firms" are still better educated than private entrepreneurs (according to Lazic findings, 1994, 89% of managers of "social" firms have had university education).

From our 1994 survey in Belgrade region one could say that from the point of the formal education the "quality" of the average personnel in "social firms" is still somewhat better than the one in private firms: while "social firms" have some 18% of those with university education, in private firms there were 11% of employees with this highest education.

This peculiar educational profile of new entrepreneurs in Serbia deserves some comments. As first, this prevalence of entrepreneurs with secondary level education seems to be related to the prevalence of very small private firms that are being

established in the nineties. According to our 1992 survey, 60% of firms had no more than 5 employed persons and only 5% of them had 30 employed persons and more¹³.

These new private firms were organizations of the most "simplest form" (Mintzberg, H., 1983), and it seems normal that their entrepreneurs (owners and managers) do not need the highest, university education. This is even more natural when we take into account the prevailing activities of these private firms. In the 1992. survey, 45% of surveyed firms were in trade, 20% in traditional (personal, artisan's) services and in the restaurant business, 21% in other, modern services, like health, recreational, professional, financial and similar services. Only 14% of these firms were active in industrial production, construction and productive handicraft. Similar profile of business activities of private firms could be documented with official statistical data (see, SGJ, 2001: 54), and also from our survey in Belgrade region, in April 1994. One could assume that the actual technology of trading in such small firms requires knowledge and skills provided sufficiently by secondary schools. Also, persons with such education seem to find more easily their "trade-offs" (what they gain and what they lose) when changing their former occupation than persons with university level education. But, individuals with university level education were more often found in modern services, especially in professional (intellectual) services.

The described educational profile of new entrepreneurs seems to be related to their style of business (for example, their strategy of doing any business which seems to be profitable even in the shortest run) and also to their "social activities" (like, frequent participation in various celebrations, shows, where they were showing their "richness"). But, this "style" of life of "new entrepreneurs" would have to be more thoroughly studied. One could say that this prevailing secondary level education of new entrepreneurs was affecting also actual public perceptions and the assessments of this new economic elite. Sudden social promotion of new entrepreneurs to the elite position was not readily accepted as legitimate by ordinary people. Their success could hardly be explained by their greater knowledge, talents, innovative capacities. The surveyed actual entrepreneurs in our 1992. survey study have related the success in business in 28% to their knowledge, in 17% to good connections with "powerfuls" in the government. In 14% of replies they mentioned speedy reactions to market demands, in 13% they were stressing originality of their ideas, in 8% they mentioned

¹³ According to the official statistical data for year 2000 (SGJ 2001:54) private enterprises had in average 4 employees.

hard work of their employees, 4% have mentioned luck, some 6% pointed the relevance of the branch in which one is doing business or state regulations, and 3% gave other replies.¹⁴

Entrepreneur's knowledge was, evidently, the most frequently pointed quality of successful businessmen (entrepreneurs) in nowadays Serbia. It is interesting, however, that both potential (in 1991 survey) and actual entrepreneurs (in 1992 survey) were stressing good connections with "powerfuls in government" as the second most important circumstance for the success of entrepreneurs.

It is important to note that new entrepreneurs in Serbia are *newcomers* from the point of their family background and in relation to the entrepreneurial experiences in their families. In the 1992 survey the occupation of parents of our entrepreneurs was as follows: peasants (14%); private artisans (7%); unqualified and semi-qualified workers (24%); qualified and highly qualified workers (5%); workers in services (9%); clerks (7%); "technicians" (with secondary level education) (2%); professionals (14%); military persons (4%), other occupations (10%). We could assume that some of those professionals were also in managerial position even though respondents had not given this answers in an open question.

In comparison with the active population in Serbia, which is still at least for one third in peasant occupations, our new entrepreneurs are much less of the peasant family background and also quite rarely are they offspring of private artisans. They come evidently more often from families of non-agricultural "working people" of various occupations and education. This picture of social mobility of new entrepreneurs is somewhat different for the sub-sample of bigger entrepreneurs (Lazic, M., 1994: 157), whose fathers were considerably more often, or still are, managers.

It is relevant also to consider the existence of some family tradition in entrepreneurship as contributing moment for the formation of new entrepreneurs. In our 1992 survey study respondents were asked: "Was there or is it someone in your family or of yours closest relatives in the private business". Their replies were as follows:

- was and it is now in private business (21%)
- was but it is not now in private business (12%)

¹⁴Respondents could select and rank two "conditions" of success. Here are given data of the condition selected as the first one.

- was not before, but it is now in private business (11%)
- was not and it is not now in private business (56%).

So, it is evident that the majority of our new entrepreneurs in Serbia are "newcomers", without previous family inclination to entrepreneurship. Still, there was a third of them with the "family surrounding" that could have fostered their entrepreneurial inclination and one could expect some positive transfer of entrepreneurial experiences and skills to new entrepreneurs. In the 1994 survey in Belgrade region respondents were asked whether their partners or grandparents were entrepreneurs. Only 17% of them said "yes", but owners of firms said "yes" in 33% of cases, a result that is like the one in our 1992 survey.¹⁵

Previous characterization of new entrepreneurs in Serbia has pointed out their socio-demographic features. In the most classical and contemporary descriptions of entrepreneurs various *social and psychological traits of entrepreneurs* are highlighted. Their activity and their successfulness are related to certain social circumstances (like, the openness of social structure, characteristics of the system of social promotion, ownership relations, stability of legal rules, mode of the regulation of the economy, dominant cultural orientations,¹⁶ etc.), or to their personal traits (self-confidence, readiness to take risky decisions, etc.). One of characteristics of the every-day life of entrepreneurs, their frequent communications with different individuals, their intensive social life, their participation in many gatherings were not mentioned to often. This feature of "new entrepreneurs" is now being more often mentioned and studied (see, *Sociological Abstracts*, Supl., 173, Bielefeld, 1994.,p.153,290,304) Evidently, this intensive social life of entrepreneurs seems to be important for their entrepreneurial activities. From others they are getting relevant information's and quite often the initial support for their intended business activities.

This assumption on the greater sociability of entrepreneurs as one of their relevant features could be, at least tentatively, supported by our survey data. In the 1992 survey study respondents were asked: "How many good acquaintances with whom you have frequent contacts do you have?" Two thirds of surveyed entrepreneurs were included in "larger circles" (of 20 persons and more) and even 43% of them were encircled in circles of 40 person and more. In comparison, the

¹⁵ Almost the same results came from our 1999 survey: see, Bolcic, S., 2002: 116.

¹⁶ More on these general prerequisites of entrepreneurship see, Bolcic, S., 1992.

potential entrepreneurs (in 1991 survey) were encircled only in 11% of cases in these large circles of 40 persons and more.

In the 1994 survey study respondents were asked: "How many friends do you have?" Their answers are reported in the Table 6. Variations in the size of the circles of friends are not great, but, it is evident that owners of firms do have greater number of friends, and this could be an indication of their participation in other larger social circles.

Table 6. *The size of circles of friends for various categories of Belgrade population, 1994.*

Category	How many friends do you have?							All respondents	
	None	1-5	6-10	11-20	21+	Other	%	number	
All respondents	2.9	25.3	23.7	15.3	15.9	16.9	100.0	767	
Employees in social firms	1.3	23.2	22.9	15.7	18.0	19.0	100.0	306	
Employees in private firms	3.3	16.4	32.8	13.1	19.7	14.7	100.0	61	
Owners of firm	0.0	15.2	21.7	23.7	28.3	10.9	100.0	46	

Of course, new and methodologically more appropriate studies of the role of "networking" of entrepreneurs are needed for the assessment of this aspect of their activity and of their successfulness.

One would also need a more in-depth study of *personality* of these new entrepreneurs. After all, entrepreneurs are in many respects "peculiar persons" (DeBono, E., 1986) and every entrepreneur seem to have some peculiar personal "story" (or "secret") about his/her entering in the "world of entrepreneurship" and about his/her path to the success in business (DeBono, 1986, Zolak, T & V, eds., 1991). From our survey studies only some tentative observations on these personality traits of new entrepreneurs in Serbia are possible. When our entrepreneurs in the 1992 survey were asked to select a personal trait which they would consider to be the most important for them being businessmen, they have described themselves as: a hard-working person (24%); a determined person (21%); a self-confident person (10%); a creative person (8%); a person capable to find its own way (7.5%); a person devoted

to some idea (6%); a person ready to accept risk (5%); a person being easy in contacting others (5%); a person with "good nerves" (3.5%); an optimistic person (3%).

It was no surprise to get such a variety of descriptions of personal traits of new entrepreneurs. From the textbook notions on entrepreneurs one might have expected greater stress on creativity ("innovativeness") and on the acceptance of risks. One might say, however, that under the actual very unstable social conditions in Serbia, those new entrepreneurs seem to have accepted risks more than it is expressed by these survey data. Also, there must have been some peculiar creativity (innovativeness) in their every day activities to maintain the actual level of normalcy in economic life in Serbia, under the chaotic social conditions caused by the decay of the former state of Yugoslavia, by the ongoing "internal war" in the "Yugoslav area" and by the UN sanctions against the "new Yugoslavia". But, according to their direct answers, some other personal features seem to be of greater importance: *hard work, determination, self-confidence*. This great stress on the hard work might reflect the yesterday's socialist or traditional "work ethics", but it could also be a hidden way of *legitimization* of the quick and immense economic success of many new entrepreneurs who have become rich under the conditions of the extreme economic downfall of Serbia in the last several years. Media stories and personal experiences about some of the richest and often controversial new entrepreneurs have certainly contributed to the widespread public perceptions of new entrepreneurs as main beneficiaries of this "transition from socialism", even though many of small new entrepreneurs had similar existential problems as other citizens of Serbia.

If we know that the majority (some 70%) of entrepreneurs were persons in younger and middle age (up to 50 years) and that even 50% of them were under 40 years of age, than this *social expansiveness of entrepreneurs* is even more understandable.

The *limiting factors of the greater societal role of entrepreneurs*, besides of those factors related to the over-all social situation in Serbia in the nineties, seem to be their over-concentration in the retail business (some 70% of private firms were in retail trade and wholesale trade and services). Also, entrepreneurs have, as stated, relatively inferior education (some 70% of them had no more than secondary level education). The relatively inferior education of most entrepreneurs makes them less professionally competent in finding proper business solutions, even in demanding and

providing the needed professional advice from those already employed in their firms as professionals or from independent professionals. De-professionalization seem also to be relatively frequent case. Around 1/3 of persons in entrepreneurial roles in private firms worked out of their professions, according to a survey of A.Vojin, (1995). In times when successes in the business in nowadays world heavily depend on the advantages in the "know-how", on professional capacities, such undereducated entrepreneurs must have been in serious disadvantage, especially when dealing with foreign entrepreneurs, and also in communications with their often better educated employees.

It is often claimed that power-holders in post-socialist societies succeeded to establish a new "ruling coalition" (in stead of the former coalition of the politocracy and workers) with new entrepreneurs, especially those controlling the larger and strategic companies. This seem to result from the fact that many of new entrepreneurs were part of the former "nomenclature cadres", in person or by their family's ties (Mateju P.1995.) This observation is pertinent also for Serbian entrepreneurs in the nineties, but mainly for those "bigger" entrepreneurs (Lazic, 1996), not for thousands of smaller entrepreneurs (Bolcic, 1994:107) Namely, the social origin of small entrepreneurs was, as mentioned, quite heterogeneous. Many of them were workers, particularly in trade, and also a significant proportion of entrepreneurs were unemployed persons of various basic occupations. Therefore, important segments of entrepreneurs should have been socially closer to the deprived strata of the society, than to those in power. But, their heterogeneity seems to be one of reasons of the *weak association of among entrepreneurs* and their inferior role as social actor of transformation of Serbia in the nineties.

Increasing entrepreneurial inclinations

Among the new forces generating important changes were not only new entrepreneurs, but also *potential entrepreneurs*, individuals from different social strata and occupations with *entrepreneurial inclination.*, Their number in the nineties has also been somewhat greater at the end of nineties than at the beginnings of the nineties.

Relatively frequent entrepreneurial inclinations in the population of a given country seem to be a good socio-psychological indication of the readiness of a given

society to evolve toward an *entrepreneurial society*¹⁷. By virtue of having entrepreneurial inclinations, these people are likely to be supporters of entrepreneurial behaviour in others in a given society.

There are survey data (Table 7) on the increasing entrepreneurial inclinations in the Serbian population in the nineties.

Table 7. *Entrepreneurial Inclinations of the Serbian population, 1991-1999.*

Would you like to be a private entrepreneur? *

	Yes	It depends	No	%	Number of respondents
Serbia (1991)	20	41	39	100	1015
Belgrade (1994)**	17	33	50	100	800
Serbia (1998)	25	25	50	100	1247
Serbia (1999)	22	38	40	100	1123

Sources: Surveys of 1991, 1994,1999,by the Institute of Sociology, Faculty of Philosophy, and 1998. survey by the Institute of Social Sciences, Belgrade. *This was not the exact wording of the question of the 1991 Survey, but in substantive way this was the meaning; see for details, Bolcic, S., 1997: 10-11. ** Data for Belgrade were for the whole Belgrade region and could be considered as a good approximation for Serbia.

The proportion of respondents with "determined" entrepreneurial inclination ("yes" answer) in 1994. was somewhat lower than in 1991. That might have reflected some discouraging experiences of entrepreneurs during the 1991-1993 period. That was a period of "hyper-hyper inflation", of tragic wars in the Yugoslav region, therefore period of very risky business for most of entrepreneurs. Decreasing entrepreneurial inclinations after the first enthusiasm were found in some other countries, like Hungary (Lengyel, 1994), too.

The increased proportion of "determined" potential entrepreneurs (those who said “yes” , they would like to entrepreneurs”) in Serbia in 1998. when considering

¹⁷ An elaborated concept of a modern "entrepreneurial society" is given in Bolcic, S.,1995b.

all unfavourable circumstances for the private business in Serbia, corroborated the thesis of a spread of entrepreneurship in this country in spite of the blocked transition. Having experienced very difficult situation in the first half of the 1999, with and after NATO bombing, it was normal that in the Fall of 1999, when the survey was carried out, there would be a slight decrease of “determined” potential entrepreneurs. Of course, because of the decreasing chances for employment at the end of nineties (some 40% of labour force was de facto unemployed in first half of 1999.) inclinations toward some form of self-employment, including in the form of private entrepreneurship, were realistic, not necessarily most desired, orientations of many individuals in Serbia. But, one needs to have a specific self-confidence and "drive" to select such a path in life, especially in a society where entrepreneurship in business has not been particularly socially supported, and not only in the years of the "socialist construction", but also in previous periods of the Serbian modernisation (see, Kostic, M., 1994).

Entrepreneurial inclinations in Serbia, as in other post-socialist countries, were most frequent among young generation (up to 30 years of age) and among better-educated segments of society (of secondary and higher level of education). This should mean that the most valuable segments of the actual and potential labour force are open to the dynamism of the modern market economy and to individual's responsibility and actions in providing means for one's life. So, the increased entrepreneurial inclinations in Serbia at the end of nineties could be treated as a positive trend. However, the proportion (40% in 1999) of those who rejected the idea of being entrepreneurs should not be forgotten. This is a warning that people still think of secure employment, to which they were habituated in the pre-transition “socialist” times, as a proper way in meeting their existential needs.

As is shown in the Table 8, among the potential entrepreneurs in 1999 66% of them were also *potential emigrants* (those thinking to go abroad in the near future).

Table 5. *Potential Emigrants*, Serbia, 1994. -1999.*

Segments	1994	1999
Age 21-30 (%)	68	46
Higher education (%)	34	49

Potential entrepreneurs (%) 43

66

Sources: Surveys of ISFF in 1994 and 1999, organized by this author. *Potential emigrants were those who answered that they “think to go abroad for long”.

The proportion of potential emigrants among persons with higher education and especially among those with entrepreneurial inclination has considerable increased by the end of nineties¹⁸. This indicates the continuing aggravation of the employment possibilities for educated people in Serbia, caused by the persistent reduction of all economic activities in Serbia in that period. It also reflects the unsupportive social environment for private entrepreneurship under the actual conditions of the suppressed transition, voluntaristic changes in the ownership relations, and under the long-standing aversion toward entrepreneurs in this country.

In the starting years of transition in Serbia (1990-1991) the most often mentioned "big entrepreneurs" (glorified by media) turned quickly to be "crooks" whose abilities in making money were not in business innovations but in making false promises (in the form of promised very high interest rates per month on deposited money in their "banks", saving agencies, sales companies, etc)¹⁹. It was not a surprise that public perceptions of new entrepreneurs in the early nineties were often negatively pictured. Yet, in spite of such unsupportive social perceptions at the beginning of the transition period, entrepreneurial inclinations continued to increase. Majority of impoverished Serbian population²⁰ may still envy all those who have had dissent living in those years of collapsing of the Serbian economy, including here entrepreneurs whose living conditions were, in average, better than of the rest of population. One could assume that ordinary people perceived many of advantages of private entrepreneurship for the society's well being. They understood that the over-all poverty in Serbia in these "lean years" would have been more severe if there were no private entrepreneurs.

Individuals with entrepreneurial inclinations, after observing the "Serbian realities" have not abandoned their entrepreneurial "dreams". But, many of them were thinking and dreaming to emigrate with hopes to have better chances for work and life "somewhere away of Serbia". This form of dissatisfaction of entrepreneurs, actual and

¹⁸ See the data on “potential emigrants” in S. Bolcic, 1995: 94-104.

¹⁹ Some observations, based on the analyses of the press, are given in Bolcic, S., 1994: 134.

²⁰ According to A. Posarac (1995) findings, the percent of impoverished population (those below the "poverty line" in Serbia grew from 6.2% in 1990. up to 35.6% in 1994 (p.338).

potential, with the present situation could have lead not only to real emigration, but also to some increased social pressures for more radical changes in Serbia which would meet interests of all social strata, including the interests of entrepreneurs. So, entrepreneurship (actual and potential) seems to have generated positive social pressures and has lead toward transformation of Serbia even under the condition of the suppressed transition and in a relatively unsupportive socio-cultural "climate".

On the Impact and Prospects of Entrepreneurship in Serbia

Private entrepreneurs in Serbia since 1989 established in some 65% of cases their firms in the trade business (wholesale and retail trade), preventing the dramatic decrease of the population's consumption which would have followed the steep fall of the domestic production since 1990.

From the official statistics (SGJ 2001) one finds that in 1990. -1999. total turnover in trade (in constant 1994 prices) has dropped less than was the drop of the GDP in the same period. So, while the turnover in the retail trade in 1999. was 65% of the 1990 turnover, GDP in 1999. was 44% of the GDP in 1990?

Thanks to thousands of private entrepreneurs, in spite of international sanctions since 1992, some import - export activities continued to exist and people in Serbia in the years of collapsing of their economy were still able to buy thousands of "necessities" (like toilet paper, detergents, parts for their cars, appliances...) and that made their life less miserable. Data in the Table 9. illustrate this increasing role of the entrepreneurship in the private trade since 1990.

Table 6. The Growth of the Private Trade, Yugoslavia*, 1990.-1999.

	1990	1992	1994	1999**
Total turnover in retail trade (000 din)***	7.957	5.130	5131	8507
Turnover in private retail trade (000 din)	1.084	2.268	4.086	4.364
% of private in total r. trade	14	44	80	51
Employed persons in total retail trade	107.316	122.937	140.258	100.567

Employed in private retail trade	13.434	33.360	77.165	83.414
% of private in total empl.	13	27	55	83

Source: SGJ-1998 * Available data for Yugoslavia describe well the situation of Serbia, also. ** Without data for Kosovo. *** Turnover is given in millions of 1994. Yugoslav Dinars and in 1994 constant prices.

Turnover in the private retail trade firms grew rapidly and in 1999 it was some 51% of the total turnover in the retail trade. In 1994 the percentage of turnover of private retail trade was even 80%, reflecting total collapse of retail trade in “social” trading firms in the previous period of hyperinflation. Private retail trade firms were also employing an increasing proportion of the total employment in the retail trade (55% in 1994 and 83% in 1999), contributing to the alleviation of the increasing unemployment in this country in the given period. One could speculate²¹ about the possible increases in private employment if in other fields of private business there were equal conditions for the increase of business activities, especially in productive branches, as was the case in the retail trade business.

This data on this *de facto privatization of retail trade branch* of the Serbian economy under condition of still lacking privatization of major retail trade firms in social (“public”) ownership is one of proofs for the thesis of this paper that in spite of blocked transition some post-socialist transformations in Serbia has been taking place in the nineties.

From the long-term perspective the learning of another way of life, less depended on state's concerns, might be the most beneficial consequence of the spread of entrepreneurship in Serbia in the nineties. This was a learning of new obligations and rights for those who have employed themselves by establishing private firm and a learning for ordinary people also. They became customers of such private firms, now existing and doing business in practically all branches (not just in farming, handicraft and some services, like in the pre-transition period). It was learning for those in power since their power has diminished under the conditions of growing private entrepreneurship.

²¹ Unfortunately, official statistics is not providing similar data for other branches as those for the retail trade branch.

Entrepreneurs were growing in numbers and as economic actors under the conditions not favourable for entrepreneurship, and that was so thanks to their readiness to use their personal and family capital (including, of course, also their "social capital") for private business under quite risky conditions for any business;

Strangely enough, while the actual regime did little for the spread of entrepreneurship in Serbia, entrepreneurs indirectly helped in some degree the regime's survival, particularly by lessening the pauperisation of the most of Serbian population and by the postponing of the uncontrollable social unrest of generally greatly dissatisfied people.

Lessons from Serbian "developments" in the nineties

It has been usual in the recent years to forget and ignore Serbia in reviews of transition processes in East-Central Europe. Yet, it is unwise to forget Serbia when analysing post-socialist transformations in East-Central Europe. *Serbia is an interesting case of social transformation in spite of the suppressed and greatly blocked transition*, as was partly documented in this paper. There are several lessons to be considered from Serbian "developments" in the nineties:

1. The transformation forces and actors in post-socialist societies are various and of particular importance in that respect are *entrepreneurs*²²

2. The very *reappearance of entrepreneurs and of the owner's strata* in Serbia should be considered as a *change event* of a deep and positive impact on the given society.

3. *Entrepreneurs have been an expansive social actor*, with a great self-generating developmental power, whose presence and activity enlarged social space of free actions of others in the society as a whole, even under very unfavourable social conditions.

4. The *prerequisites for the reappearance and expansion of entrepreneurs* seem to be relatively simple: *the legalisation of the free formation of enterprises (firms)*, irrespectively of their legal ownership status, and *restitution of full*

²² *Entrepreneurs* are individuals and other social actors performing entrepreneurial role (introducing and realizing business innovations, taking risky decisions and providing strategic changes in the business life). They are not necessary owners of firms, but they are key actors in forming and directing firms. These firms where entrepreneurs will be found are not only "small firms", but also large companies, in various ownership status. In author's investigations of entrepreneurs in Serbia, operationally, entrepreneurs were owners and managers of non-state firms.

*management prerogatives of founders of firms.*²³ All other institutional and real social, economic, political, cultural and other circumstances related to the spread of entrepreneurship are important but not decisive when those basic prerequisites for the reappearance are being met.

5. The positive impact of entrepreneurs is not only in generating systemic transformations but also in the every day real-life transformations. *Entrepreneurs prevented more serious aggravations of the living conditions of people in Serbia as well as in other post-socialist societies, caused by the "implosion" of their former socio-economic systems.* In Serbia because of all its social disruptions, without thousands of (mostly small) entrepreneurs, the severity of pauperisation would have been insupportable.

6. The long-term impact of entrepreneurs as strata on the social transformations of the post-socialist societies should not be judged solely on their actual still limited economic and political power and on some of their actual "personality" characteristics. They are in principle an expansive social actor, *introducing new rules and patterns of behaviour* (individual initiativeness, risk-taking, individual responsibility for one's well-being, generating wealth based on one's work and successfulness in business life), which are *congruent with the needs and interests of most members of modern societies.* By transforming former "socialist" society in direction of an "entrepreneurial society" entrepreneurs are acting as promoters of a modern *open society* where all individuals have real opportunities to use fully their abilities for their benefits. This trend toward an "entrepreneurial society" existed, though feeble, even in Serbia in the nineties, in spite of its suppressed transition.

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²³ These prerequisites for the spread of entrepreneurship in Serbia were provided already in the 1988-1989 "reform laws" of the Ante Markovic government.

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